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Loan Interests

Safe Drinking Water Loan Program SFY 2006 Funding Policies

Jeanne Cargill

Available Funding

Wisconsin expects to receive a Drinking Water State Revolving Fund (DWSRF) federal capitalization grant for approximately \$16,407,900 from the United States Environmental Protection Agency (U.S. EPA) for State Fiscal Year 2006 (SFY 2006 starts July 1, 2005 and ends June 30, 2006). After adding the state match and unspent funds from previous fiscal years, and subtracting funds for set-asides, the available funding for Safe Drinking Water Loan Program (SDWLP) loans to local governmental units for SFY 2006 is expected to be **\$26,726,776**.

20% State Match

Wisconsin must provide a state match of at least 20% of the federal capitalization grant, or \$3,281,580.

Funds for Set-Asides

The DWSRF allows states to set aside up to 31% of the federal capitalization grant to fund DWSRF administrative expenses, state program management, small systems technical assistance, and local assistance and other state programs.

For SFY 2006, DNR plans to use \$2,675,960 on the following activities:

- \$656,316 for DWSRF administrative expenses (4%)

- \$1,640,790 for state program management of the Public Water System Supervision program (10%)
- \$328,158 for small systems technical assistance (2%)
- \$50,696 for other state programs to develop and implement wellhead protection activities, workshops and tools.

Funding List

A Draft SFY 2006 SDWLP Funding List is included in the Intended Use Plan at the end of this issue of Loan Interests. After receiving the DWSRF federal capitalization grant for SFY 2006, DNR will determine which applications fall within the fundable range and will publish the Final SFY 2006 SDWLP Funding List. The fundable range is the range of projects on the funding list that can be fully or partially funded with the available loan monies, in accordance with s. NR 166.26, Wis. Adm. Code.

The Department of Administration (DOA) will allocate the appropriate amount of present value subsidy to each project in the fundable range.

Unused Funds - SFY 2006

If a project in the SFY 2006 fundable range:

- 1) does not use all of the funding it is allocated,
- 2) fails to execute a loan on or before April 30, 2006, or
- 3) is allocated funding that is later reduced in accordance with ss. NR 166.26(3)(b) to (h), Wis. Adm. Code, then DNR and DOA will reallocate the unused funding to the next highest ranked, eligible project(s) on the funding list, in accordance with s. NR 166.26, Wis. Adm. Code. If the next

highest ranked eligible project(s) is unable to execute a loan on or before

April 30, 2007, DNR and DOA will add any unused funds to the SFY 2008 available funding. If there are no other eligible projects to allocate any available or unused SFY 2006 funding as of April 30, 2006, DNR and DOA will add any unused or unallocated funds to the SFY 2007 available funding.

Small Systems

Small systems are those public drinking water systems that serve less than 10,000 persons. The number of persons served by a system is obtained from the DNR Bureau of Drinking Water and Groundwater and determined on the application deadline, April 30, 2005. DNR uses this figure to determine whether or not a system meets the small systems population criterion.

In accordance with s. 281.61(8)(a)1, Wis. Stats., DOA will allocate to small systems 15% of available funds, or a lesser amount that fully funds the small system projects on the list. If a project is designated as a small system and is needed to meet the 15% small systems requirement, the SDWLP will provide the local governmental unit full loan assistance, subject to the 25% present value subsidy limitation and available funding.

33% of Market Interest Rate Loans

A local governmental unit with a population less than 10,000 **and** an adjusted median household income (MHI) of 80% or less of the state's adjusted MHI, is eligible to receive an interest rate that is 33% of the current market interest rate for loans, in accordance with s. NR 166.14(1), Wis. Adm. Code. Local governmental units that do not meet both criteria will receive an interest rate that is 55% of the current market interest rate for loans.

The interest rate for a loan is determined with population and MHI data available at the time of the Financial Assistance Agreement.

Refinancing, Reimbursement and the U.S. EPA Eight Quarters Rule

To avoid SDWLP funding shortfalls and multiple loan closings for single projects, Wisconsin transferred Clean Water Fund Program (CWFP) funds into the SDWLP to help fund construction costs subject to U.S. EPA's Eight Quarters rule. CWFP transferred funds are not subject to the Eight Quarters rule, and will primarily be used to fund refinancing and reimbursement costs for projects that could not otherwise be funded with a single loan due to the Eight Quarters rule. To date, Wisconsin has transferred \$23,596,056 from the CWFP to the SDWLP.

So – what is the Eight Quarters Rule? Construction costs incurred prior to the execution of an SDWLP loan may be eligible for refinancing or reimbursement with an SDWLP loan. However, U.S. EPA has an “Eight Quarters” rule that restricts a portion of the available funding, affecting the way in which funds to refinance or reimburse construction costs incurred prior to execution of a loan can be disbursed. Design and planning costs are not subject to the Eight Quarters rule.

“Eight Quarters” refers to the time period during which funds can be restricted -- up to eight calendar quarters. The start of the Eight Quarters period, the first quarter, is the calendar quarter in which U.S. EPA notifies DNR that Wisconsin will receive its federal capitalization grant. Wisconsin uses or “draws” funds from the capitalization grant as the primary source of funding for SDWLP loans.

U.S. EPA requires that any refinanced or reimbursed construction costs funded with the restricted funds need to be drawn evenly over the calendar quarter in which the loan is executed and the

remaining calendar quarters of the Eight Quarters period. In other words, if restricted funding is used, the refinancing or reimbursement costs cannot be paid with one SDWLP loan; a loan would need to be executed in each of the remaining calendar quarters of the Eight Quarters period. For example, if an SDWLP loan is executed in quarter 4 of the Eight Quarters period, only one-fifth of the funds needed for refinancing or reimbursement can be used in the quarter 4 loan; Wisconsin must draw the restricted funds and disburse them with loans evenly over quarters 4,5,6,7 and 8.

For further information regarding the Safe Drinking Water Loan Program, contact Jeanne Cargill at (608) 267-7587 or jeanne.cargill@dnr.state.wi.us



Safe Drinking Water Loan Program Intended Use Plan for SFY 2006

Becky Scott

Are you interested in how Wisconsin uses its funds from the Drinking Water State Revolving Fund (DWSRF)? Wondering what those set-asides you heard about are doing for Wisconsin's water resources? There are lots of things happening with the DWSRF money; read the Safe Drinking Water Loan Program Intended Use Plan (IUP) in the Appendix of this issue of Loan Interests to learn more.

Section 1452(b) of the Safe Drinking Water Act requires that each state

prepare an annual IUP. The IUP identifies the uses of the funds in the DWSRF and describes how those funds support the goals of the Act.

The Safe Drinking Water Loan Program IUP is part of Wisconsin's capitalization grant application package for Federal Fiscal Year 2005 funds. After EPA awards Wisconsin's capitalization grant, we will use the grant and state matching funds, as well as other money which is available in the state revolving fund, to provide financial assistance for drinking water projects and fund several programmatic set-asides during SFY 2006.

If you have any questions or comments regarding this IUP, please contact Becky Scott at (608) 267-7584, or rebecca.scott@dnr.state.wi.us ☐



Public Hearing Scheduled

Cindy Hoffland

The Department will hold a public hearing on Wednesday, July 27, 2005, to receive comments regarding funding policies and project priority lists for State Fiscal Year 2006. This public hearing is for both the Clean Water Fund Program (CWFP) and the Safe Drinking Water Loan Program (SDWLP).

You can find the CWFP funding policies and the project priority list in the May issue of Loan Interests. The SDWLP funding policies are on page 1 of this issue, and we published the SDWLP project priority list in the

March issue of Loan Interests. To obtain copies of any back issues of Loan Interests, visit our website at www.dnr.wi.gov/org/caer/cfa/EL/Section/Newsletters/newsletters.html or contact Jodi Armstrong at 608-264-6120 or jodi.armstrong@dnr.state.wi.us.

Come to the public hearing to submit oral comments. You may also submit written comments prior to or at the hearing.

See the attached "Notice of Public Hearing" for further information. ☐

Land Recycling Loan Program

Maureen Hubeler

The following municipalities submitted a Land Recycling Loan (LRLP) Program Notice of Intent to Apply in December 2004, and are, therefore, eligible to apply for State Fiscal Year (SFY) 2006 funds:

City of New Richmond	\$3,650,000
City of West Allis (3)	6,146,960
City of Kenosha (2)	15,575,000
City of Menasha	746,525
City of Altoona	165,000
City of Washington	165,000
Town of Cottage Grove	700,000

In order to include a project on the funding list for SFY 2006, the Department must receive a loan application for the project by either the August 1, 2005 or the October 1, 2005 LRLP application deadline.

To obtain an LRLP Financial Assistance Application (Form 8700-267), print the PDF from our Forms and Publications web page at <http://www.dnr.wi.gov/org/caer/cfa/EL/FORMS/forms.html> or contact Maureen Hubeler at 608-266-0849 or maureen.hubeler@dnr.state.wi.us. ☐

Get PSC Approval Process Started

Jeanne Cargill

Did your municipality submit an application for funding from the Safe Drinking Water Loan Program (SDWLP) for State Fiscal Year (SFY) 2006? If so, and you need a rate increase in order to support your new loan/bond (and generate the required debt coverage), we encourage you to get started on your Public Service Commission (PSC) rate increase application as soon as possible.

All SDWLP loans for SFY 2006 must

Calendar of Events

July 27, 2005

**3:00 pm, Rm. 817 GEF 2
Madison**

Funding Policies Public Hearing

August 1, 2005

**Postmark deadline
LRLP applications**

September 19, 2005

**Funding Sources Committee
Evening Presentation
*City Hall, Rice Lake***

September 21, 2005

**Funding Sources Committee
Morning Workshop
*WRWA, Plover***

October 6, 2005

**Funding Sources Committee
Afternoon Workshop
*Public Library, Richland Center***

close by April 30, 2006. If you need a rate increase for your loan, **you must receive your rate order from PSC** authorizing a rate increase **before we close your SDWLP loan.** Be sure you allow PSC enough time to process your rate application. In past years, loan closings were delayed because of municipalities not submitting their rate request to PSC early enough to get approval prior to the desired loan closing date. Applicants can lose their funding allocations due to rate increases not being approved early enough to close by the April 30 deadline for loan closings.

Please don't put off submitting your rate increase application. This process is an important step in obtaining an SDWLP loan. For more information, visit PSC's website at <http://psc.wi.gov>. ☐



Reminder-Newsletter Mailing List

Jeanne Cargill

Just a reminder that our last issue of Loan Interests, Issue No. 139, published in May 2005, included a form to fill out and submit if you want to continue receiving a paper copy of Loan Interests.

This June 2005 issue is the last issue you will receive via U.S. mail if we don't hear from you.

You can get Loan Interests the fast way if you don't want a paper copy anymore! Each time we publish a Loan Interests newsletter, Jodi Armstrong of the Environmental Improvement Fund (EIF) staff sends an e-mail message to many of our readers to inform them that the latest issue of Loan Interests is now available on line for viewing and download; the message includes a link to our Newsletters web page. The people on the e-mail list see Loan Interests anywhere from 2 to 6 weeks prior to those who wait for a paper copy to come in the mail. Staff cuts in our copy center and mailroom have slowed our process for getting the newsletter mailed out. Note that our March 2005 issue was available on the web on March 18th, and as of May 2nd was not yet in the mail to those receiving paper copies.

If you'd like to be included on our e-mail list for the newsletter, you need to either: 1) send an e-mail message to Jodi.Armstrong@dnr.state.wi.us asking her to place your e-mail address on our electronic newsletter list, or 2) complete the form attached to the May 2005 issue of Loan Interests and send it to us.

Currently all of the issues of Loan Interests from 2003 through 2005 are available as PDFs on our Newsletters web page at <http://dnr.wi.gov/org/caer/cfa/EL/Section/Newsletters/newsletters.html>.

Important: If you receive the e-mail announcements for our newsletter, please be sure to inform Jodi if your e-mail address changes. Having you tell us about a change is the only way we can keep the announcements coming to you without interruption. ☐